



Iowa Department of **REVENUE**

Annual Report Fiscal Year 2017

**Courtney M. Kay-Decker
Director**

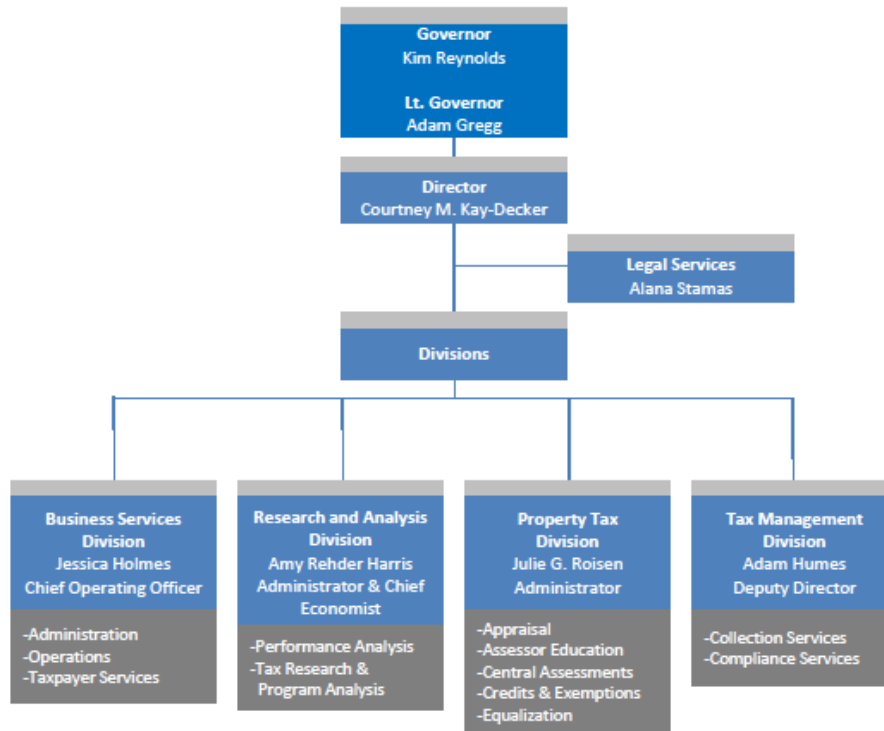


Iowa Department of **REVENUE**

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Iowa Department of Revenue Organizational Chart



The Department includes one board for budgetary purposes:
The Property Assessment Appeal Board.

Department Mission, Vision, and Guiding Principles

MISSION

The mission of the Iowa Department of Revenue is to serve Iowans and support state government by collecting all taxes required by law, but no more.

VISION

Iowa will be a state where it is easy to understand and comply with tax obligations.

GUIDING PRINCIPLES

The Iowa Department of Revenue has adopted the following Guiding Principles:

Customer Focus

- We understand that Iowa taxpayers are our primary customers.
- We collaborate and partner with both our internal and external customers.
- We use technology to support our customers efficiently.
- We maintain the public's confidence by safeguarding our customers' confidential information.

Expertise & Education

- We provide information and recommendations to policymakers and local and state government entities.
- We support local governments through oversight of the property tax system and administration of associated credit funding, distribution of local option taxes, and sales tax increment programs.
- We provide information and education necessary to facilitate compliance with Iowa's complex tax laws.

Fiscal Management

- We are responsible stewards of Iowa taxpayers' money.
- We responsibly manage our financial resources to fulfill our mission.

Department Core Functions

The core functions of the Iowa Department of Revenue consist of the following:

REVENUE COMPLIANCE AND COLLECTION

The most visible aspect of the Department's operations is the administration of tax compliance and collection. This function includes educating taxpayers on tax law and regulations, processing tax returns and related documents, and collecting taxes and other amounts due. It is in compliance with Iowa's tax laws that the Department conducts its taxpayer examination and audit programs and resolves disputed tax issues.

LOCAL GOVERNMENT ASSISTANCE

The Department provides support to local governments by administering just and uniform property assessments across the state. This function also administers programs for property tax relief (including administration of the business property tax credit), local option taxes, school infrastructure taxes, and sales tax increment programs.

RESEARCH, ANALYSIS, AND INFORMATION MANAGEMENT

The Department performs tax policy development and analysis, fiscal impact estimation, and economic and statistical research analysis to help stakeholders understand the impact of Iowa tax laws and make informed decisions.

RESOURCE MANAGEMENT

The resource management function provides internal infrastructure support of the Department's operations, including oversight of technology development and support, project management, personnel management, and budgeting.

Table 1: Taxes and Fees Collected and/or Administered

Individual Income Tax / Withholding	Consumer's Use Tax	Fuel Taxes
Corporation Income Tax	Retailer's Use Tax	Environmental Protection Charge
Franchise Tax	Hotel / Motel Tax	Inheritance Tax / Fiduciary Tax
Sales Tax	Local Option Sales Tax	Cigarette / Tobacco Tax
Replacement Tax	E911 Surcharge Fee	Hazardous Materials Permit Fee
Property Tax	Insurance Premium Tax	Real Estate Transfer Tax
One-Time Fee for New Vehicle Registration	Car Rental Tax & Vehicle Title Surcharge	Miscellaneous Other Taxes

TAX COMPLIANCE AND REVENUE COLLECTION

Fiscal Year 2017 Deposits

During fiscal year 2017, the Department of Revenue processed and deposited over \$10.1 billion into various funds for State and local government operations. The Department also processed and paid \$1.2 billion in refunds to taxpayers, resulting in net deposits of \$8.9 billion.

**Table 2: Gross Deposits, Refunds, and Net Deposits
Fiscal Year 2017**

Taxes	Gross Deposits	Refunds	Net Deposits
Income Taxes			
Individual Income Tax	\$4,597,458,561	\$866,772,758	\$3,730,685,803
Corporation Income Tax	\$554,034,718	\$149,387,174	\$404,647,544
Franchise Tax	\$53,798,248	\$18,380,361	\$35,417,887
Total Income Taxes	<u>\$5,205,291,527</u>	<u>\$1,034,540,293</u>	<u>\$4,170,751,234</u>
Consumption Taxes			
Sales Tax (1)	\$2,739,304,062	\$22,118,178	\$2,717,185,884
Use Tax	\$506,734,173	\$13,875,816	\$492,858,357
One-Time Fee for New Vehicle Registration	\$376,875,245	\$0	\$376,875,245
Fuel Taxes	\$791,652,175	\$74,827,784	\$716,824,391
Cigarette Tax	\$188,632,081	\$432,237	\$188,199,844
Tobacco Tax	\$32,413,626	\$182	\$32,413,444
Total Consumption Taxes	<u>\$4,635,611,361</u>	<u>\$111,254,197</u>	<u>\$4,524,357,164</u>
Miscellaneous Taxes			
Environmental Protection Charge (2)	\$17,520,657	\$0	\$17,520,657
Real Estate Transfer Tax	\$22,343,443	\$0	\$22,343,443
Hazardous Materials Permit Fee	\$222,599	\$0	\$222,599
Inheritance Tax	\$86,194,000	\$3,225,278	\$82,968,722
Insurance Premium Tax	\$114,808,497	\$1,339,076	\$113,469,421
Car Rental Tax and Vehicle Title Surcharge (3)	\$90,330	\$0	\$90,330
Miscellaneous Taxes (4)	\$2,003,225	\$4,451,427	-\$2,448,202
Total Miscellaneous Taxes	<u>\$243,182,752</u>	<u>\$9,015,781</u>	<u>\$234,166,971</u>
Grand Total	<u>\$10,084,085,639</u>	<u>\$1,154,810,271</u>	<u>\$8,929,275,368</u>

Notes: Gross deposits do not reflect any transfers or adjustments for returned checks. Deposits and refunds are presented on a cash basis.

(1) Gross deposits include approximately \$389.6 million in LOST and Hotel/Motel tax collections.

(2) The Environmental Protection Charge sunset December 31, 2016.

(3) Gross deposits include a 5% tax on car rentals and a \$5.00 registration fee collected by County Recorders for snowmobiles, ATVs, and boat registrations.

(4) Refunds under Miscellaneous Taxes consist mainly of reissued warrants. These warrants can be issued for any tax type and could include refunds from any time within the last five years. They are cancelled in the refund accounts for the original tax type before being issued under Miscellaneous. Therefore, total Miscellaneous refunds for a fiscal year often exceed Miscellaneous Taxes receipts.

TAX COMPLIANCE AND REVENUE COLLECTION

Historic Gross Deposits

Gross deposits increased 2.0 percent in fiscal year 2017, lower than the 4.3 percent growth seen in fiscal year 2016.

Table 3: Gross Deposits in Millions
Fiscal Years 2013-2017

Taxes	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Income Taxes					
Individual Income Tax	\$4,203.87	\$4,098.74	\$4,331.88	\$4,487.43	\$4,597.46
Corporation Income Tax	\$556.63	\$551.26	\$578.47	\$524.33	\$554.03
Franchise Tax	\$42.90	\$42.92	\$46.95	\$52.04	\$53.80
Total Income Taxes	<u>\$4,803.41</u>	<u>\$4,692.92</u>	<u>\$4,957.30</u>	<u>\$5,063.80</u>	<u>\$5,205.29</u>
Consumption Taxes					
Sales Tax (1)	\$2,469.27	\$2,528.48	\$2,664.37	\$2,734.69	\$2,739.30
Use Tax	\$458.91	\$485.65	\$500.56	\$499.49	\$506.73
One-Time Fee for New Vehicle Registration	\$318.53	\$331.47	\$355.39	\$373.15	\$376.88
Fuel Taxes	\$473.26	\$473.46	\$536.74	\$726.31	\$791.65
Cigarette Tax	\$198.92	\$194.47	\$194.37	\$196.77	\$188.63
Tobacco Tax	\$28.49	\$28.77	\$29.26	\$31.04	\$32.41
Total Consumption Taxes	<u>\$3,947.38</u>	<u>\$4,042.30</u>	<u>\$4,280.69</u>	<u>\$4,561.45</u>	<u>\$4,635.61</u>
Miscellaneous Taxes					
Environmental Protection Charge (2)	\$20.78	\$21.24	\$21.47	\$21.45	\$17.52
Real Estate Transfer Tax	\$19.01	\$18.66	\$19.06	\$20.71	\$22.34
Hazardous Materials Permit Fee	\$0.27	\$0.28	\$0.29	\$0.33	\$0.22
Inheritance Tax	\$86.81	\$91.03	\$86.98	\$91.76	\$86.19
Insurance Premium Tax	\$104.88	\$105.53	\$109.63	\$119.67	\$114.81
Car Rental Tax and Vehicle Title Surcharge (3)	\$0.09	\$0.68	\$0.08	\$0.10	\$0.10
Miscellaneous Taxes	\$3.12	\$2.23	\$2.09	\$2.45	\$2.01
Total Miscellaneous Taxes	<u>\$234.96</u>	<u>\$239.65</u>	<u>\$239.60</u>	<u>\$256.47</u>	<u>\$243.19</u>
Grand Total	<u>\$8,985.75</u>	<u>\$8,974.87</u>	<u>\$9,477.59</u>	<u>\$9,881.72</u>	<u>\$10,084.09</u>

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TAX COMPLIANCE AND REVENUE COLLECTION

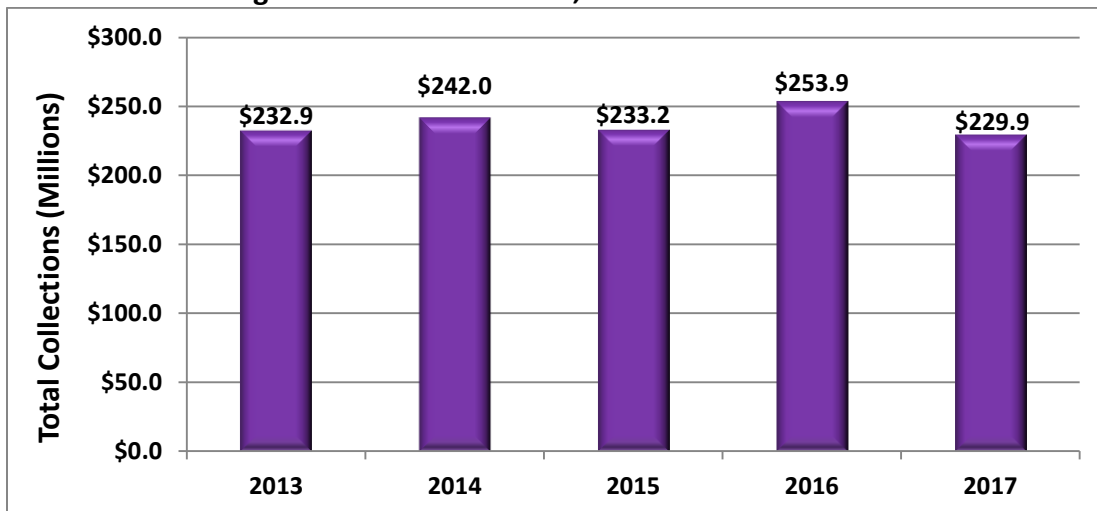
Collections

There are two self-funding programs within the Department. First, the Department's Tax Gap program examines and audits tax returns and identifies fraud and non-filers in order to strive to identify and collect all taxes owed to the state and prevent the payment of erroneous refunds. Second, the Department's Centralized Collection Unit (CCU) collects delinquent tax debt. The CCU provides collection services for the Judicial Branch, Department of Human Services Child Support Recovery Unit, Department of Natural Resources, Iowa Department of Revenue, and Iowa Workforce Development. As of July 2015, the Court stopped placing accounts with CCU. In July 2016, CCU returned all Court accounts that were not in an existing payment plan. In June 2017, CCU returned all remaining Court accounts to the Judicial Branch. CCU began providing limited collection services to Iowa Workforce Development in April 2016. In May 2017, CCU returned all accounts to IWD.

In fiscal year 2017, Department compliance and collections efforts resulted in \$229.9 million in revenues, down from \$253.9 million in fiscal year 2016. The decline in total collections in fiscal year 2017 reflects:

- The Voluntary Disclosure Program received an \$11.5 million Consumer's Use payment in 2016. No large payments were received in 2017 under this program.
- The wind down of Court collections resulted in a decrease of \$8.2 million for fiscal year 2017 collections.

Figure 1: Total Collections, Fiscal Years 2013-2017



Note: Total Collections include tax payments resulting from billings, returns filed through the Special Events program, gambling collections, non-tax collections, subsequent revenue paid with returns filed by taxpayers identified through prior non-filer programs, and reductions in refunds resulting from return examination, with bad checks subtracted.

TAX COMPLIANCE AND REVENUE COLLECTION

Electronic Filing – Business Taxes

The Department continues to expand and encourage electronic filing of tax returns and tax payments for business taxes, including withholding taxes remitted by employers on behalf of employees and sales taxes remitted by retailers on behalf of consumers.

In fiscal year 2017, 99 percent of withholding tax returns (over 373,000) and 98 percent of sales and use tax returns (over 414,000) were filed using the Department's eFile & Pay system. These business filers paid more than 95 percent of funds owed to the State electronically, resulting in lower administrative costs and faster deposits.

Figure 2: Withholding Quarterly Returns by Filing Method, Fiscal Year 2017

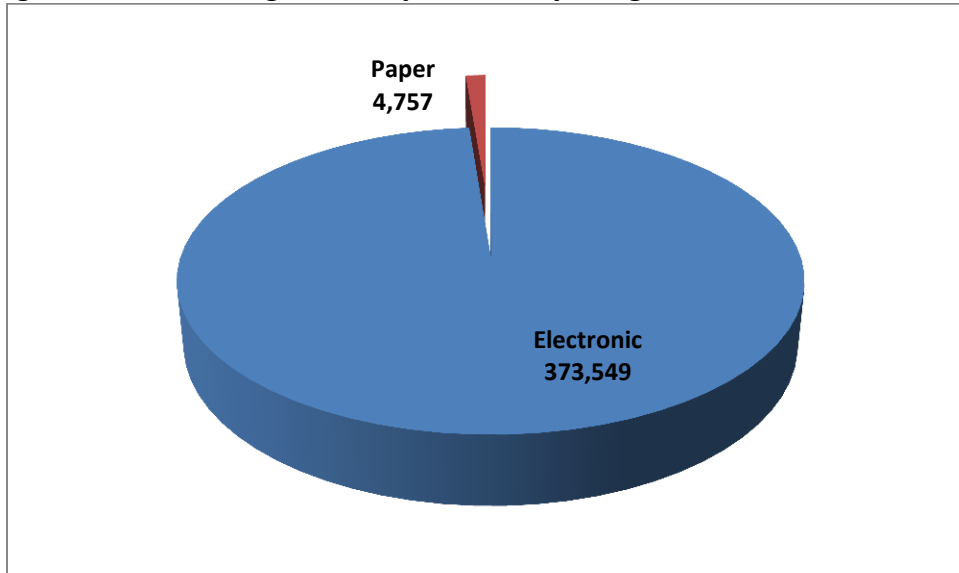
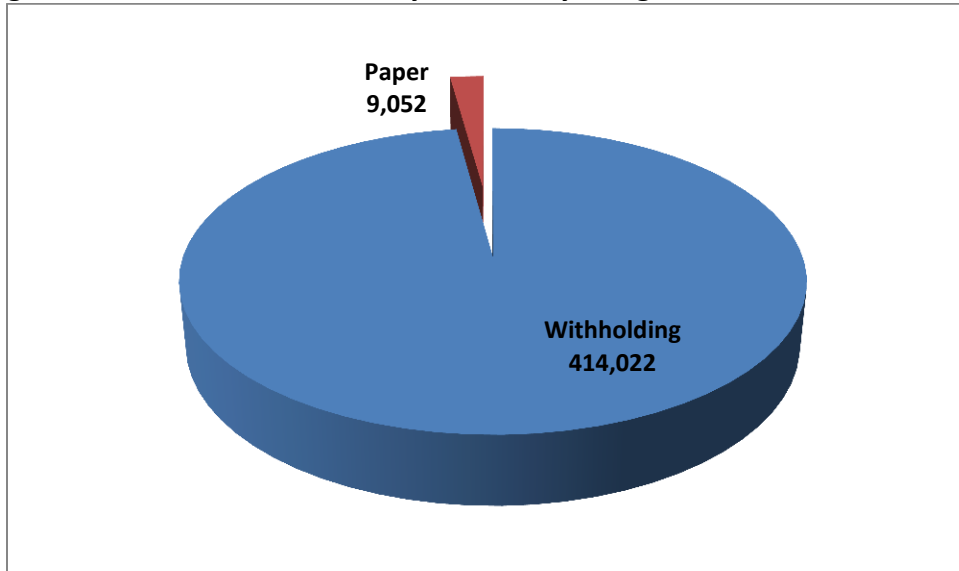


Figure 3: Sales and Use Quarterly Returns by Filing Method, Fiscal Year 2017



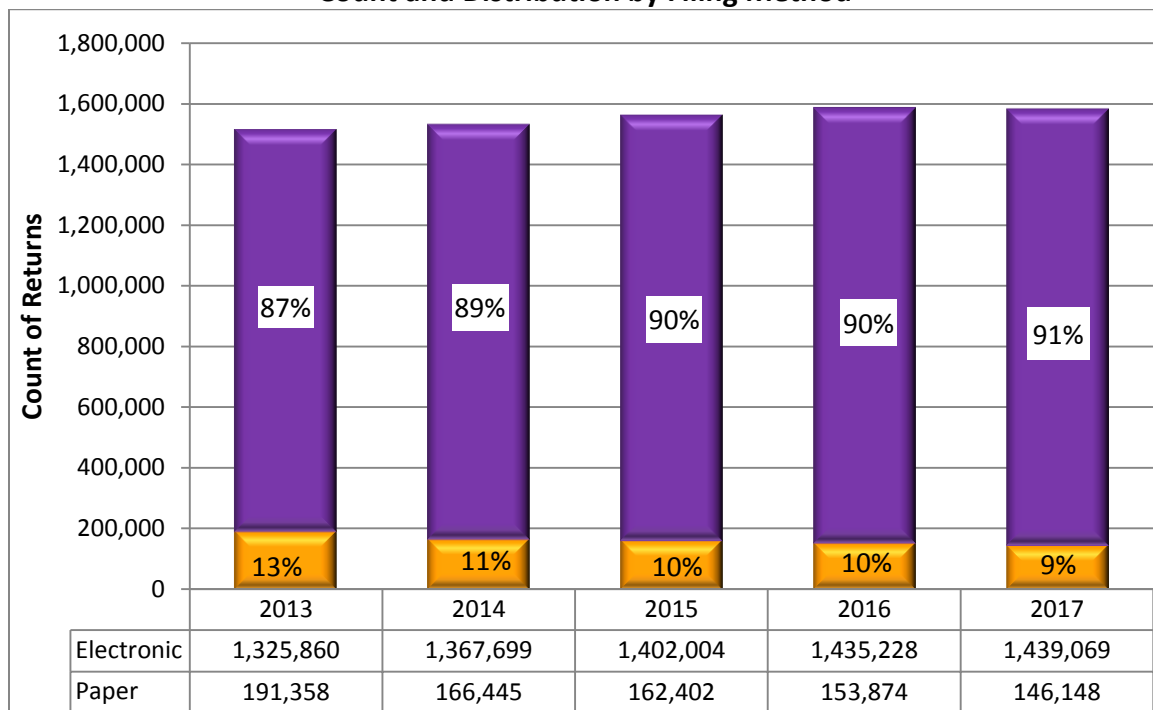
TAX COMPLIANCE AND REVENUE COLLECTION

Electronic Filing – Income Taxes

The Department encourages individuals, corporations, estates and trusts, and entities obligated to file informational returns to file those returns electronically.

The income tax type with the largest number of returns processed each year is individual income tax. The share of individual income tax returns filed electronically grew to 91 percent (1.44 million returns) in fiscal year 2017 for tax year 2016 returns.

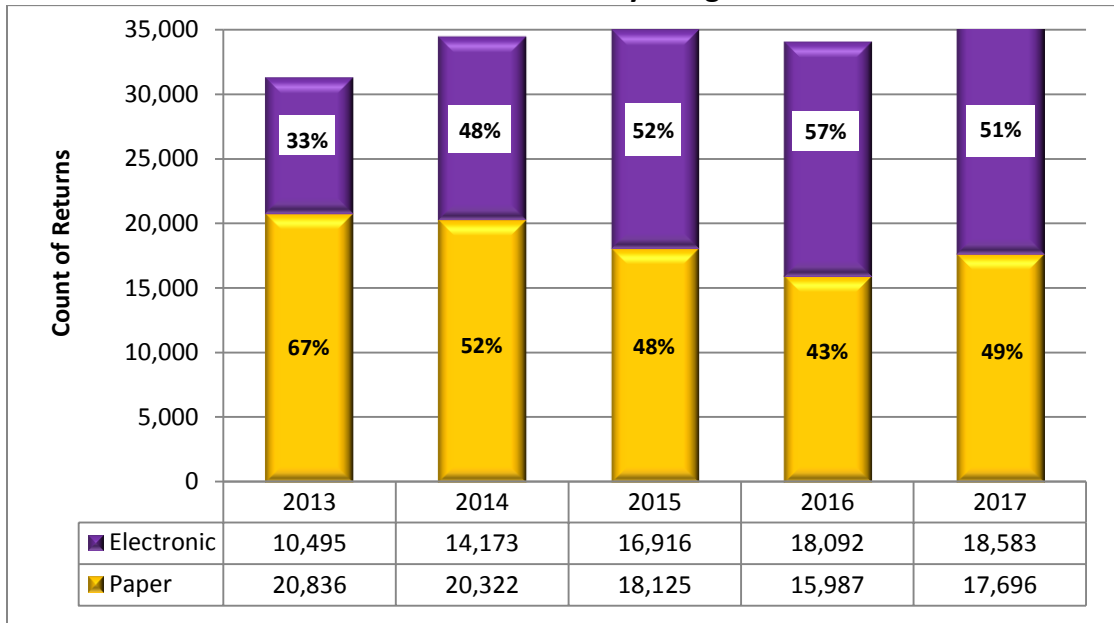
**Figure 4: Individual Income Tax Returns
Count and Distribution by Filing Method**



Note: Includes current tax year returns filed from January through October of the noted processing year.

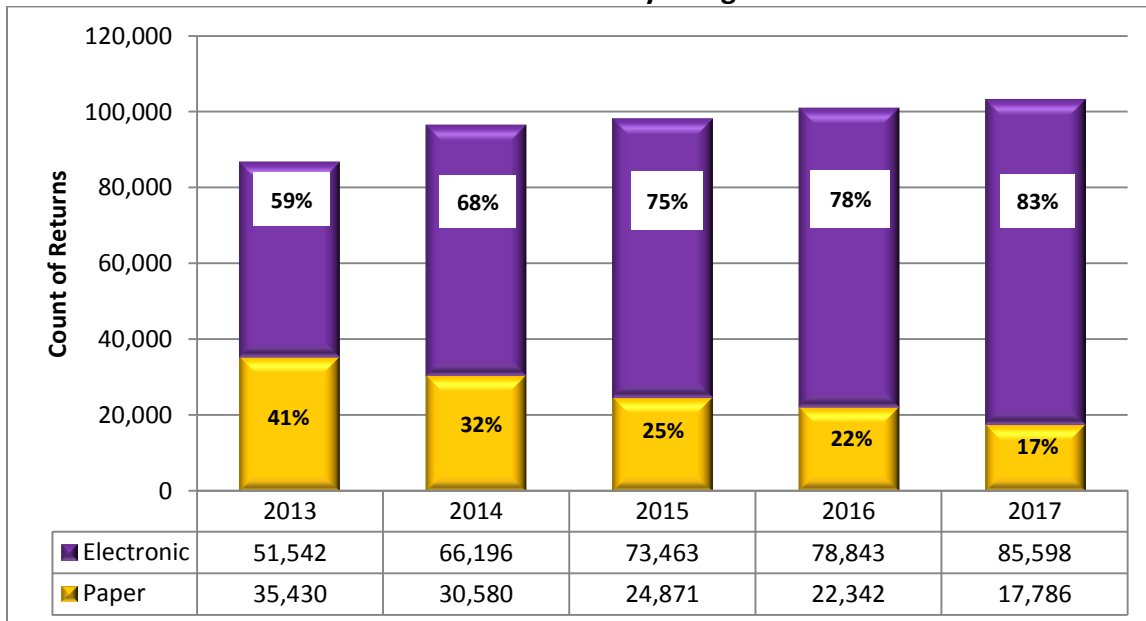
Corporations and pass-through entities (i.e. partnerships, limited liability companies, and S corporations) were first able to file electronic Iowa returns for tax year 2011 in fiscal year 2012. In the last three fiscal years over 50 percent of the corporations filing returns have made use of the electronic filing method. Electronic filing for pass-through entities continues to increase each year. In fiscal year 2015, the Department added fiduciary tax, filed by estates and trusts, as an eligible tax type for electronic filing. In fiscal year 2017, 13,458 fiduciary returns were filed electronically.

**Figure 5: Corporation Income Tax Returns
Count and Distribution by Filing Method**



Note: Includes tax returns filed by C corporations processed January through October of the noted processing year as well as November and December of the prior year.

**Figure 6: Pass-Through Income Tax Returns
Count and Distribution by Filing Method**



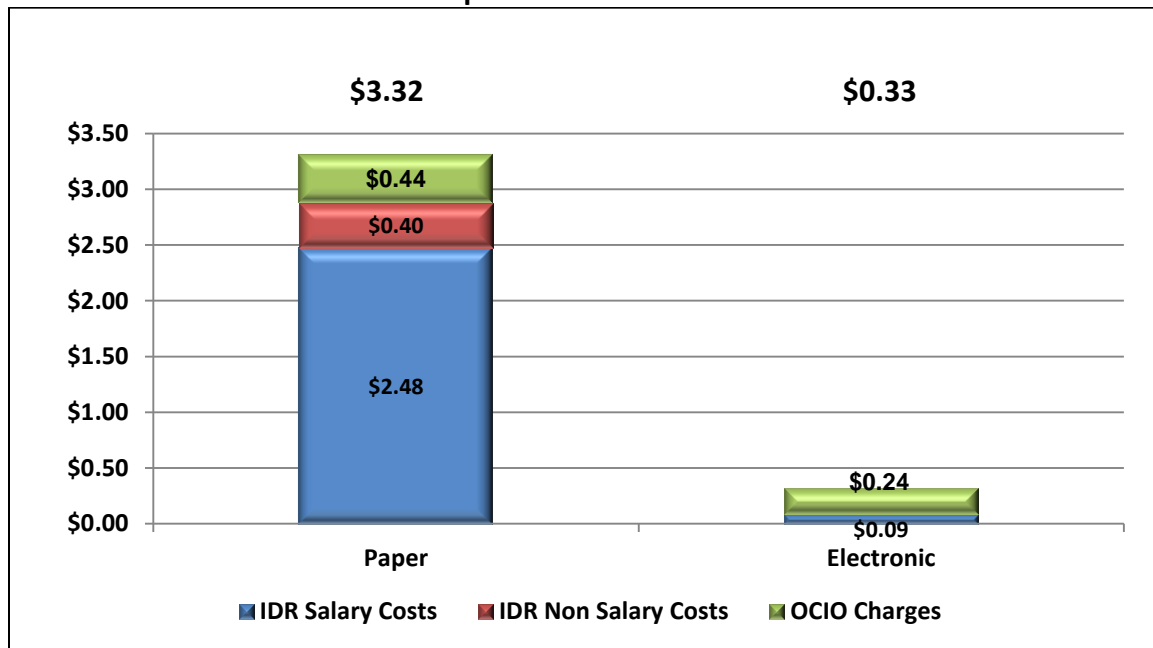
Note: These data include informational returns filed by S corporations, limited liability companies, and partnerships processed November through October. The tax liability associated with income is realized by individual owners. The count of processing year 2017 paper returns is preliminary.

TAX COMPLIANCE AND REVENUE COLLECTION

Average Cost to Process Individual Income Tax Returns

The Department encourages electronic filing because it reduces administrative costs. For fiscal year 2017, the estimated average cost of receiving and capturing data from a paper return was \$3.32 compared to only \$0.33 for an electronic return. The Department processed 193,000 paper individual income tax returns in fiscal year 2017 compared to 219,000 in fiscal year 2016.

**Figure 7: Estimated Average Cost to Process Individual Income Tax Returns
Paper versus Electronic**



In fiscal year 2014 the Department updated the estimation methodology for the cost to process returns. The costs incorporated expenses paid to the Office of the Chief Information Officer (OCIO) to prepare Department databases and other technology systems for the filing season along with the Iowa Department of Revenue (IDR) direct costs.

TAX COMPLIANCE AND REVENUE COLLECTION

Taxpayer Services

Iowa taxpayers seek answers to their questions about taxes. Taxpayer service specialists are available by telephone, email, and in person. The Department is working to enhance the availability and quality of online resources to provide taxpayers access to information when convenient to them. As part of the Department's customer service and modernization goals, taxpayer education videos were added to its website to enhance self-service information. A total of 25,255 people viewed eight general tax information videos and six videos regarding implementation of the Business Property Tax Credit. The Department delivered nine business tax webinars in partnership with IASourceLink and MyEntre.Net, which were attended by 1,744 people.

In addition, a total of 1,944 people followed the [Business Tax](#), [Individual Income Tax](#), and [Tax Professional](#) Twitter accounts. The Department sent 1,280 tweets which were received and shared with 81,279 people through Twitter followers. In December 2013, the Department launched a [Facebook site](#). In fiscal year 2017, 960 posts were made and were viewed 18,104 times. The Department reached out to taxpayers through a series of GovDelivery news feeds covering a wide variety of tax topics. Subscribers totaled 14,214 in 2017.

To Receive Assistance From a Tax Specialist:

email: idr@iowa.gov

Telephone: 515-281-3114 or 800-367-3388

Mail: Iowa Department of Revenue

P O Box 10457

Des Moines, Iowa 50306-0457

To Find Online Services and Forms:

<https://tax.iowa.gov>

<https://tax.iowa.gov/twitter>

<https://www.facebook.com/iowadepartmentofrevenue>

Current and Past Year Services and Tax Forms:

Individual Income Tax eFile Information

Where's My Refund

Apply for a Permit

eFile & Pay for Business Taxes

Pay Debt Online

Visit the [Iowa Tax Research Library](#) for a searchable repository of Department rulings and court cases.

RESEARCH, ANALYSIS, AND INFORMATION MANAGEMENT

Research and Statistical Reports

The Department provides tax policy analysis, fiscal impact estimation, economic research, and statistical analysis to help customers, stakeholders, and policymakers make informed decisions.

Research Reports:

- Iowa Leading Indicators Index Monthly Report
- Contingent Liabilities Report
- Tax Expenditure Studies
- Legislative Summaries
- Tax Credits User's Manual
- Tax Credit Evaluation Studies

Statistical Reports:

- Sales and Use Tax Quarterly and Annual Reports
- Individual Income Tax Annual Statistical Report
- Retailers Fuel Gallons Annual Report

These reports are available on the [Department's website](#).

The Department also provides data through Iowa's open data portal. Posted data sets include those required by statute and other data for which the Department often receives requests.

Data Sets:

- Local Option Sales Tax Receipts by Month and Location
- Hotel/Motel Tax Collected by Jurisdiction and Quarter
- Quarterly State Tax Receipts and Refunds
- Quarterly Retail Taxable Sales by County for 12 Business Groups
- Quarterly Retail Taxable Sales by County and City
- Top 20 Sales and Use Tax Expenditures
- Retail Sales Tax Registration Permit List
- Taxable Gallons of Fuel by Major Fuel Type
- Iowa Motor Fuel Sales by County and Year

These data sets are available through [Iowa's open data portal](#).

RESEARCH, ANALYSIS, AND INFORMATION MANAGEMENT

Tax Credit Tracking and Analysis Program

The Department has been assigned the responsibility of awarding several income tax credits along with completing all requested tax credit transfers and tracking claims. Of the \$208.8 million in total tax credits awarded by various State agencies in fiscal year 2017, \$11.8 million were awarded under the four tax credit programs administered by the Department. See Table 1 in the [Contingent Liabilities Report](#) for details about the amounts awarded under other tax credit programs. Tax credit transfers in fiscal year 2017 totaled \$70.0 million.

**Table 4: Tax Credits Awarded and Transferred by Iowa Department of Revenue
Fiscal Year 2017**

Tax Credit Program	Definition	Amount Awarded
Farm to Food Donation Tax Credit	Available to taxpayers who donate a food commodity to an Iowa food bank or an Iowa emergency feeding organization.	\$9,097
Renewable Energy Tax Credit	Available to a producer or purchaser of energy from a renewable energy facility approved as eligible by the Iowa Utilities Board (IUB).	\$5,166,787
Solar Energy System Tax Credit	Available to individual and corporation taxpayers who install solar energy systems on homes or businesses located in Iowa.	\$4,996,103
Wind Energy Production Tax Credit	Available to electrical production facilities that produce electricity from wind and are approved as eligible by the local board of supervisors and the IUB.	\$1,657,604
Total State Tax Credit Awards		\$11,829,591
Total Tax Credit Transfers	Reissuance of tax credits to purchasers of designated transferable tax credits.	\$69,967,325

Source: Tax Credit Award, Claim, & Transfer Administration System

LOCAL GOVERNMENT ASSISTANCE

Property Tax

The Department provides assistance to local governments throughout Iowa by administering fair and equitable assessments and programs for property tax relief. The Property Tax Division:

- Administers credits and exemptions for property owners
- Trains, educates, and certifies the assessment community and trains boards of review.
- Equalizes assessed property values through ratio studies and model analysis processed every second year
- Provides for central assessments of utilities, telecommunication companies, pipelines, and railroads
- Annually determines statewide agricultural productivity values
- Provides information pertaining to assessed valuations to other governmental agencies
- Collaborates with county-level government to implement technology solutions
- Responds to taxpayer inquiries by reviewing assessment practices for statutory compliance
- Collaborates with key stakeholders to make recommendations on statewide property tax issues
- Distributes SAVE, LOST, and Hotel/Motel tax payments and property tax relief funds to school districts and local jurisdictions

LOCAL GOVERNMENT ASSISTANCE

Property Tax Relief and Local Option Taxes

The Department administers numerous property tax credits that supplement revenues collected by local governments. The Department also collects and distributes local option taxes to local governments and school districts.

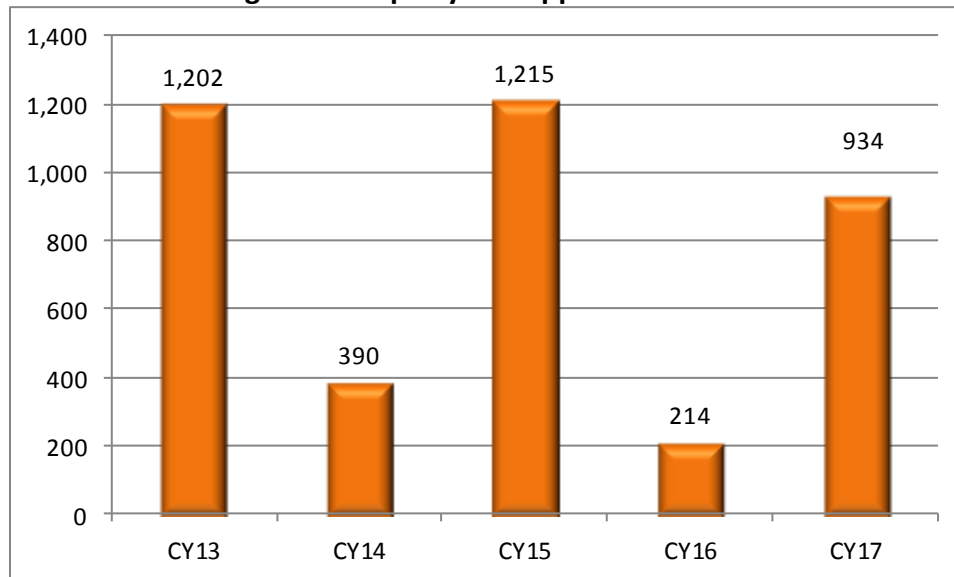
Table 5: Fiscal Year 2017 Distribution of Funds to Local Governments

Property Tax Relief Program	Definition	Distribution
Homestead Tax Credit	Adopted to encourage home ownership through property tax relief. Current credit is equal to the actual tax levy on the first \$4,850 of actual value.	\$135,097,614
Elderly and Disabled Tax Credit/Rent Reimbursement	Provides property tax relief to low-income elderly and disabled homeowners or rent relief to low-income elderly and disabled renters.	\$24,442,066
Mobile Home Reduced Tax Rate	Established in conjunction with the Elderly and Disabled Property Tax Credit. Provides tax reduction to homeowners of mobile and manufactured homes.	\$95,649
Special Assessment Tax Credit	Established in conjunction with the Elderly and Disabled Property Tax Credit. Provides 100% tax reduction to qualified homeowners who are required to pay special assessments.	\$17,277
Business Property Tax Credit	Established by 2013 Property Tax Reform. Provides a tax credit for commercial, industrial, and railroad property taxes to qualified property units.	\$124,245,904
Replacement Claim	Established by 2013 Property Tax Reform. This claim offsets a reduction in the rollback for commercial and industrial properties.	\$152,099,149
Agricultural Land Tax Credit	Credit established to partially offset the school tax burden borne by agricultural real estate. Current law allows a credit for any general school fund tax in excess of \$5.40 per \$1,000 of assessed value. Land used for agricultural or horticultural purposes in tracts of 10 acres or more is eligible.	\$29,100,000
Family Farm Tax Credit	Credit established to partially offset the school tax burden borne by agricultural real estate. Current law allows a credit for any general school fund tax in excess of \$5.40 per \$1,000 of assessed value. The owner or owner's relatives must be actively engaged in farming the land and the land must be used for agricultural or horticultural purposes.	\$10,000,000
Military Service Property Tax Exemption	Reduces the taxable value of property for military veterans. The amount of the exemption varies.	\$1,961,246
Local Option Tax	Definition	Distribution
Local Option Sales Tax (LOST)	Sales tax up to 1% imposed by counties either countywide or in incorporated areas or unincorporated areas. Imposed on sales and services taxed under State sales tax provisions.	\$315,561,803
Secure an Advanced Vision for Education Tax (SAVE)	Portion of the statewide 1% sales and use tax distributed to school districts on a per pupil basis.	\$444,681,000
Property Tax Equity and Relief Tax Credit (PTER)	Portion of the statewide 1% sales and use tax dedicated for property tax relief.	\$9,745,267
Hotel/Motel Tax	Tax up to 7% imposed by cities on the gross receipts from the rental of hotel or motel rooms for 31 consecutive days or less.	\$56,328,994

PROPERTY ASSESSMENT APPEAL BOARD

The State of Iowa Property Assessment Appeal Board (PAAB) is a State board created for the purpose of establishing a consistent, fair, and equitable property assessment appeal process. PAAB conducts administrative hearings with the statutory authority to review any final decision, finding, ruling, determination, or order of a local board of review relating to protests of an assessment, valuation, or application of an equalization order. The number of appeals received is typically higher in odd calendar years due to the property tax reassessment cycle.

Figure 8: Property Tax Appeals Received



Per the Code, PAAB shall consist of three members appointed to staggered six-year terms, by the Governor and subject to confirmation by the Senate. Subject to confirmation by the Senate, the Governor shall appoint from the members a chairperson to a two-year term. Two members of the board shall be certified real property appraisers and one member shall be an attorney practicing in the area of state and local taxation or property tax appraisals.

Board Membership, Qualification, and Term

Stewart Iverson, Chair	Tax Professional	April 30, 2023
Karen Oberman	Appraiser	April 30, 2021
Camille Valley	Attorney	April 30, 2019